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SIXTH annual report 1969

FEDERAL SAVINGS AND LOAN CORPORATION

Member Canada Deposit Insurance Corporation

Board of Directors

OFFICERS	The Honourable G. ERNEST HALPENNY, P.C., *Chairman of the Board*
	OSCAR RECHTSHAFFEN, *President and Managing Director*
	PETER MACKENZIE, *Vice-President*
	JAMES H. MORLOCK, *Secretary*
	JOHN W. STEWART, C.A., *Treasurer*
	IRVING KNELLER, *Assistant Secretary*
DIRECTORS	GORDON R. P. BONGARD, *Toronto*
	The Honourable G. ERNEST HALPENNY, P.C., *London*
	BARRY P. HAYES, Jr., *Toronto*
	PETER MACKENZIE, *Montreal*
	JAMES H. MORLOCK, *Toronto*
	IRVIN RECHTSHAFFEN, *Toronto*
	OSCAR RECHTSHAFFEN, *Toronto*
AUDITORS	MESSRS. PRICE WATERHOUSE & CO.
REGISTRAR AND TRANSFER AGENT	FEDERAL SAVINGS AND LOAN CORPORATION Toronto
BRANCH REGISTRAR AND TRANSFER AGENT	NATIONAL TRUST COMPANY, LIMITED Toronto
HEAD OFFICE	141 Yonge Street Toronto
SAVINGS BRANCHES	141 Yonge Street 605 Danforth Avenue 950 St. Clair Avenue West 1850 Eglinton Avenue West Toronto
ANNUAL MEETING	Thursday, April 16, 1970

assets
deposits
debentures
demand
mortgages

Report of the Directors

RealCap Holdings Ltd

To the Shareholders:

The net profit earned by your Company in the year ended December 31st, 1969 increased to $46,037. This is equivalent to approximately 32¢ per share.

However, additional income from mortgage placement fees, which has already been received, has been deferred, and a portion will be taken into the income statement annually over a maximum period of five years. The amount of income thus deferred at December 31st, 1969 totalled $85,675.

The profit increase was less than anticipated, due to the substantially increased cost of funds during the year. All other costs remained well controlled during the year, and compared well with the previous year's costs, as may be seen from the Statement of Income and Expenses.

1969 was again a record year of growth. The increase in all customers' funds on deposit was $5,793,230 for a total of $18,261,052. The increase for the year was 46%. Debentures outstanding increased by 87% to $13,468,329 from $7,190,250. Demand deposits, savings and other time deposits decreased by a total of $484,849.

The mortgage portfolio was expanded by $2,472,112 from $8,710,032 to $11,182,144. In addition, there was approximately $829,000 in mortgage hold-backs, pending construction reaching certain stages of progress before these funds would be advanced. At the year end, your Company had $4,600,000 in short term notes, which it is intended to commit to mortgage loans. When these funds are advanced as mortgage loans, there will be a substantial increase in interest revenue earned.

The mortgage portfolio consisted of 790 loans, being an average amount of $15,342, taking into account the full amount of the loans, including amounts not yet advanced. The average yield increased from 8.74% to 8.98%.

During the second half of last year, you were informed that a provision for doubtful accounts was set up in the amount of $70,000. The mortgaged property to which this provision related was not sold, but other arrangements were made, which in the opinion of your Board of Directors, eliminated the need for this provision.

There are a number of amendments to the legislation governing federally-incorporated loan and trust corporations under consideration at the present time. If they are enacted, it is expected that they will shortly thereafter be followed by similar provincial legislation. These amendments would broaden the scope of your Company's investment powers and increase the amount of deposits which it could accept. Such changes would be welcomed, and should enhance your Company's profitability.

Another important factor in future profitability is the likelihood that interest rates have now attained a peak. They are likely to remain stable, and then decline slightly late in the year. A decline in interest rates would increase the spread between the cost of funds and the investment assets yield, and reverse the trend which has so markedly reduced earnings in the last five years.

We extend our sincere thanks to our excellent staff, for their major contribution to this year of progress.

Respectfully submitted on behalf of the Board.

Oscar Rechtshaffen

Oscar Rechtshaffen, President

Toronto, *February 27, 1970*

18,261,052
5,793,230
12,467,822

FEDERAL

AND LOAN (

Balan

Assets	December 31 1969	1968
Cash	$ 316,769	$ 338,821
Securities:		
Short term notes	4,600,000	1,350,000
Government of Canada bonds, at amortized cost (quoted market value 1969 – $1,075,475; 1968 – $1,111,900)	1,219,255	1,209,895
Provincial and municipal bonds, at amortized cost (quoted market value 1969 – $405,365; 1968 – $460,100)	472,326	482,232
Corporation bonds, at amortized cost (quoted market value 1969 – $1,106,700; 1968 – $1,222,500)	1,349,875	1,287,627
Stocks, at cost (quoted market value 1969 – $253,440; 1968 – $306,500)	285,120	318,446
Total cash and securities	8,243,345	4,987,021
Collateral Loans	97,931	66,141
Accrued interest on securities and other receivables	94,950	69,741
Mortgages and accrued interest less unamortized discounts and placement fees of $109,293 (1968 – $67,634)	11,182,144	8,710,032
Fixed assets, at cost:		
Office premises	323,779	320,628
Furniture and equipment	115,436	115,528
	439,215	436,156
Less – Accumulated depreciation	83,375	65,824
	355,840	370,332
Leasehold improvements, less amounts written off	46,926	54,792
	20,020,506	14,258,059
Agencies	347,612	172,616
	$20,368,118	$14,430,675

Auditors' Report

To the Shareholders of Federal Savings and Loan Corporation:

We have examined the balance sheet of Federal Savings and Loan Corporation as at December 31, 1
expenses and profit and loss acco
ination included a general review
tests of accounting records and
sidered necessary in the circumst

SAVINGS

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heet

249,471
4,543,252
$\boxed{4,792,723}$

316,794
4,960,778
$\boxed{5,277,572}$
4,792,723
,484,849

Liabilities		December 31 1969	December 31 1968
Demand deposits and accrued interest		$ 249,471	$ 316,794
Savings and other time deposits and accrued interest		4,543,252	4,960,778
Debentures and accrued interest		13,468,329	7,190,250
Term loans – secured		93,754	261,229
	18,261,052	18,354,806	12,729,051
Mortgagors' tax deposits	12,467,822	211,892	124,653
Accounts payable and accrued liabilities		75,013	71,597
		18,641,711	12,925,301
Shareholders' Equity			
Capital stock (Note 1):			
Authorized –			
500,000 shares of $10 each	$5,000,000		
Issued –			
140,025 shares, fully paid		1,400,250	1,400,250
49,975 shares, partly paid		49,975	49,975
		1,450,225	1,450,225
Profit and Loss Account		(71,430)	(117,467)
		1,378,795	1,332,758
		20,020,506	14,258,059
Agencies		347,612	172,616
		$20,368,118	$14,430,675

4,792,723

5,277,562

Attested: Oscar Rechtshaffen, President

John W. Stewart, C.A., Treasurer

nd the statements of income and r the year then ended. Our exam- accounting procedures and such supporting evidence as we con- .

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1969 and the results of its operations for the year then ended.

Toronto, *February 24, 1970.*

Price Waterhouse & Co.
Chartered Accountants.

Statement of Income and Expenses

	Year ended December 31	
	1969	1968
Income:		
Mortgage interest	$ 851,712	$ 583,906
Income from securities	339,827	249,318
Other income (Note 4)	155,260	144,823
Total income	1,346,799	978,047
Expenses:		
Interest	866,945	525,674
Salaries	210,005	198,507
Other general and administrative expenses	223,812	217,112
Total expenses	1,300,762	941,293
Profit for the year (Note 3)	$ 46,037	$ 36,754

Profit and Loss Account

	Year ended December 31	
	1969	1968
Balance at beginning of year	$(117,467)	$(154,221)
Profit for the year	46,037	36,754
Balance at end of year	$ (71,430)	$(117,467)

Notes to Financial Statements December 31, 1969

1. *Capital stock:*

At December 31, 1969 Security Capital Corporation Limited held an option to purchase 10,000 shares of the capital stock of the corporation at $11 per share expiring February 15, 1971 and the president of the corporation held an option to purchase a total of 15,000 shares at $11 per share expiring June 30, 1974.

The balance of $494,753 unpaid in respect of the 49,975 partly paid shares is payable at the call of the directors, but not later than 1974, and when paid will be added to the shareholders' equity.

2. *Lease commitments:*

Rental payments required under leases of branch premises expiring on various dates up to 1976 aggregate approximately $20,000 annually.

3. *Income taxes:*

No taxes are payable in respect of the 1969 profit because the profit includes non-taxable income and because of losses carried forward from prior years.

4. *Placement fee income:*

In 1969 the accounting treatment for including placement fees in income was changed to the "sum of the digits" method. If the former method had been used in accounting for placement fees received in 1969 the profit for 1969 would have been increased by approximately $29,500.